



FASAB Update

1

WENDY M. PAYNE, CPA CGFM
FEDERAL ACCOUNTING STANDARDS
ADVISORY BOARD

NOVA AGA CONFERENCE
APRIL 28, 2017
8:00 AM

Disclaimer

2

Views expressed are those of the speaker

Overview

3

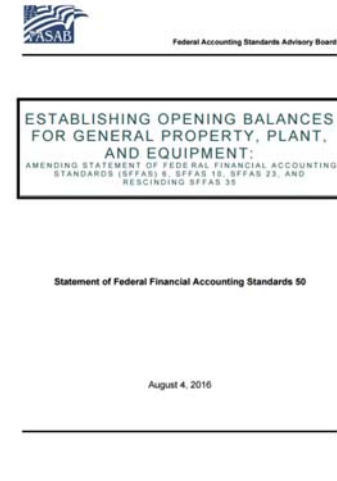
- **Recently Completed:**
 - Tax Expenditures
 - Opening Balances
 - Insurance Programs
- **Current Projects:**
 - Risks Assumed
 - Reporting Model
 - Leases
 - Budget and Accrual Reconciliation
 - Land



Recently Completed

4

- **Opening Balances (SFFAS 50)**
 - For “first-time” adopters
 - Flexibility afforded
 - Working on implementation guidance

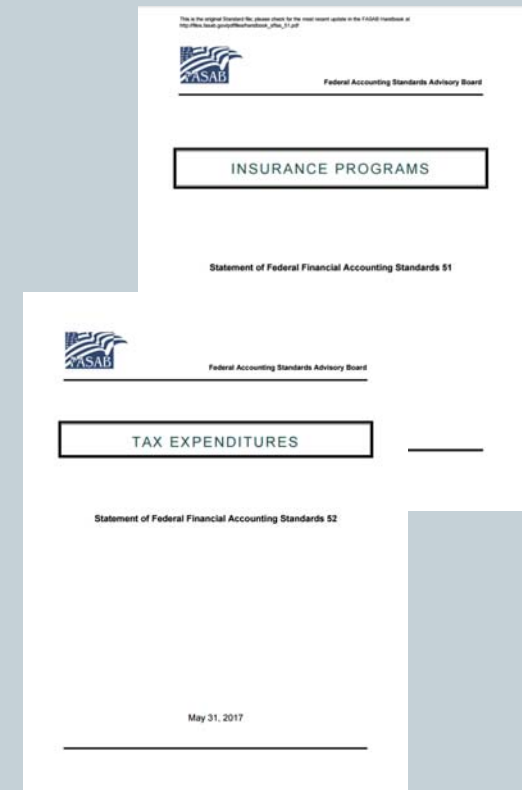


- **Ongoing effort to develop implementation guidance**
 - Working with a large task force
 - Representation from the audit community as well as the preparer community is vital. All standards-setters seek and count upon broad participation on both general and industry specific matters.

Recently Completed

5

- **Insurance Programs (SFFAS 51)**
 - Strengthens definitions, measurement and recognition
 - Streamlines disclosures
- **Tax Expenditures (SFFAS 52)**
 - Creates awareness and understanding
 - Points to more comprehensive information
 - Expect issuance in May 2017



Risk Assumed Overview

6

- What are risks assumed?
- Why do they matter?
- Challenges and options for reporting?



What Are Risks Assumed?

7

- Earlier definition - Risk assumed is ..the risk inherent in the **insurance or guarantee** coverage in force. (SFFAS 5, par. 105)
- Limited to insurance and guarantees.
- Information provided about “expected losses” in the future but those losses were not recognized.

Why It Matters

11



- **Transparency** – Considering how uncertainty might affect outcomes is important to understanding financial position and performance.
- **Completeness** – Need to aggregate information that helps users weigh risks assumed by the central government as a whole.

Does it Help Meet Reporting Objectives?

13

- **Operating Performance** – cost of government actions and how costs are financed may be affected by risks and may create risks.
 - *Risk may be assumed without immediately affecting the budget. Risk may accumulate over time.*
- **Stewardship** – how future budgetary resources will be affected.
 - *Risk should be considered in assessing whether future budgetary resources are likely to be sufficient to sustain public services.*

Next Steps

11

- **Assessing risk information gaps**
 - Using the IMF's Fiscal Transparency Code: Pillar III -Risk Analysis and Management, risk analysis and disclosure principles as a general framework.
 - Holding roundtables with users of information to identify information they use.
 - Assessing whether the needed information is (and should be) included in federal financial reports.
- **Coordinating with the US federal government's efforts to adopt Enterprise Risk Management (ERM)**

Challenges

12

- Definition (what risks should be considered – explicit and/or implicit, risks all should be aware of or risks unique to the government)
- Measurement
- Overload of information

Reporting Model

13

- **Board developing concepts intended to guide the Board in developing reporting model standards**
 - provide information to help others understand the purposes for financial statements and RSI

- **Discuss the relationship between financial statements and RSI and other information**
 - financial statements and RSI are based on
 - common understanding of terms
 - qualitative characteristics
 - other information
 - contribute to reporting objectives
 - may accompany financial statements and RSI
 - may have limitations, e.g. not exposed to the same level of internal controls as financial statements and RSI

Reporting Model

14

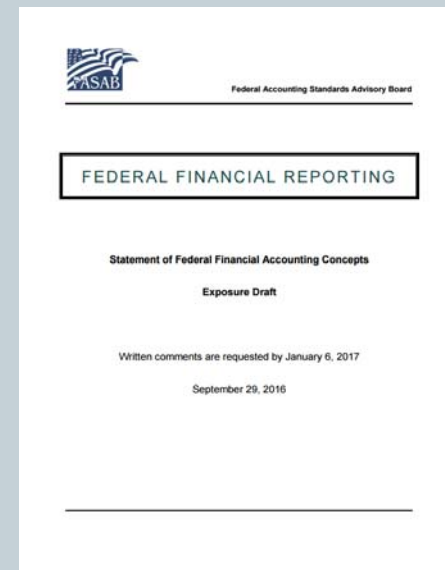
- **Board developing concepts intended to guide the Board in developing reporting model standards**
 - provide information to help others understand the purposes for financial statements and RSI

- **Discuss the relationship between financial statements and RSI and other information**
 - financial statements and RSI are based on
 - common understanding of terms
 - qualitative characteristics
 - other information
 - contribute to reporting objectives
 - may accompany financial statements and RSI
 - may have limitations, e.g. not exposed to the same level of internal controls as financial statements and RSI

Reporting Model

15

- **Guidance distinguishes between information required for**
 - the government-wide reporting entity
 - ✦ power to tax
 - ✦ charge fees
 - ✦ borrow
 - component reporting entities
 - ✦ authority through appropriations
 - ✦ diverse missions and activities



Reporting Model

16

- **Reporting concepts regarding**
 - component budgetary information
 - information that should be provided by the government-wide reporting entity
 - information that should be provided by component reporting entities
 - disaggregation of information
 - performance results
 - summary level information

Reporting Model

17

Potential impact on standards

- Guidance regarding
 - presentation of component budgetary information
 - disaggregating and classifying information
 - the presentation of multiple periods of information
 - relating financial and non-financial performance information
 - summary level reporting

Leases

18

- FASAB collaborated with GASB to develop standards for governmental organizations.
- Lease proposal issued late last year and comments received.
- Board is deliberating on comments.

Leases

19

- **Proposal is to establish a single model (with exceptions for short-term arrangements – 24 months for federal).**
 - Leases create assets consisting of the “right to use” a resource.
 - Leases create liabilities consisting of the obligation to pay for the resource.
- **Treatment should help identify the interest cost associated with leases.**

Intragovernmental Leases

20

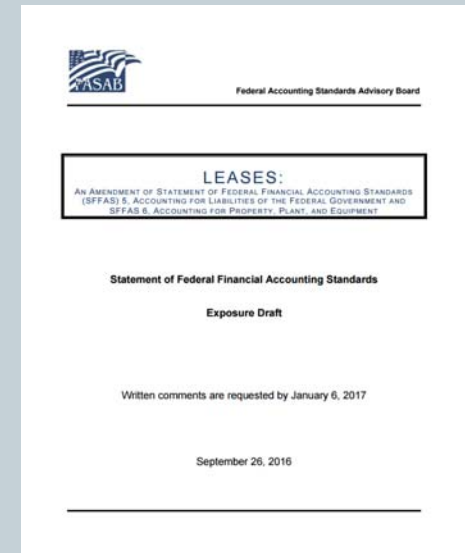
- Leases between two consolidation entities (as defined in SFFAS 47) would be expensed by lessor when due and payable.
- Minimal disclosure requirements.

Leases

21

Areas Currently under Deliberation

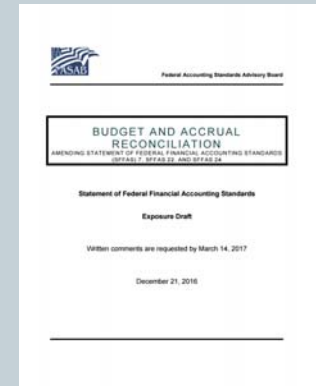
- Clarify the nature of “right to use” asset vs. transfer of risks and rewards of physical asset
- Weighing benefit vs cost
- Need for implementation guidance
- Implementation date



Budget and Accrual Reconciliation

22

- **Project Goal:**
 - Improve the component reporting entity's budgetary and net cost reconciliation
 - Support the Government-Wide Accounting (GWA) reconciliation
- **Proposal:**
 - Reconcile net outlays and net cost
 - Option to present as a financial statement or as a note
 - Include narrative and information on noncash outlays
 - Effective in FY2018 with restatement of prior period
- Comments received and being deliberated in April



Land

23

- **Undertaken as a result of SFFAS 50 on Opening Balances**
 - Land reporting is not comparable (or complete)
 - Most useful information is parcel specific
 - Weighing use of nonfinancial information
- **Hope for a proposal this year**

Annual Input on Board Agenda

24

- Conducted a survey in late 2016
- Planning for an improved survey in 2017
- Your opportunity to provide input!

Federal Accounting Standards Advisory Board

FOR MORE INFORMATION:
Rosa Simms
(202) 512-2512
SimmsR@fasab.gov

November 28, 2016

NEWS RELEASE FASAB Announces Survey on Priorities for the Future

The Federal Accounting Standards Advisory Board (FASAB or "the Board") is conducting a survey to solicit stakeholder views about project priorities. The Board is focused on enhancing federal financial reporting when planning its agenda, and input from stakeholders will help identify the most important priorities for the future.

Please take a few minutes to complete the brief online survey. Your responses will be used only in aggregate, and no individual or agency or company names will be disclosed at any time. All interested parties are welcome to participate.

If you do not have an account on the system, please enter an account username that you would like to use and then click on the "Log in" button. An email message will be sent to you after you have created your account to confirm this information. To access the survey please visit: <https://fed.gao.gov/fasab/planning/>.

Please provide your comments by January 30, 2017.

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

For more information on FASAB, please visit our website: www.fasab.gov.

Contact Information

25

fasab@fasab.gov

202.512.7350

www.fasab.gov

Wendy Payne

paynew@fasab.gov

